

BQD E4

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THE USE OF ECONOMIC COUNTER-MEASURES
IN THE BERLIN CRISIS

Summary

1. The Soviet Union and its Eastern European satellites are relatively self-sufficient. Essentially trade and shipping embargoes would only somewhat slow down current rates of growth particularly as relates to the chemical and petro-chemical industry and to the installation of pipelines. The principal vulnerabilities in the bloc are in the GDR on one edge and Communist China on the other. In the case of the East German regime, marked economic dislocation would result from a trade embargo requiring revamping of current economic plans and readjustments which would seriously injure East German production for a period of some months. In the case of Communist China the main vulnerability is in food, particularly supplies of wheat contracted with Canada and Australia. Embargoes on these two might indirectly create some serious problems for Moscow.

2. To be effective economic counter-measures will require closely coordinated action by all members of NATO, and probably agreement to parallel action by certain others such as Sweden, Austria, Switzerland and Japan.

3. If used as a primary weapon, economic counter-measures will be regarded by the USSR not as a convincing expression of will to resist Soviet designs with respect to Germany and Berlin, but as evasive action, indicating unwillingness to face the prospect of defending our interests by force; Khrushchev has made this clear to FRG Ambassador Kroll. It is accordingly essential that planning for the use of economic counter-measures be developed in close and appropriate relationship with measures in the military, diplomatic and psychological fields.

Economic Sanctions which should be applied if access to Berlin is blocked.

Blockage of access would create a situation in which the outbreak of hostilities would be imminent and the economic embargo to be imposed would be total, including among other things:

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(a) The prohibition of the use of all financial facilities of the NATO countries to carry on current transactions with the USSR, East Germany, the other Sino-Soviet Bloc members and their Nationals.

(b) The expulsion of all Sino-Soviet Bloc technical experts and foreign trade officials without diplomatic immunity from the NATO countries.

(c) The freezing of all assets of the members of the Sino-Soviet Bloc under jurisdiction of the NATO powers.

(d) Termination of trade agreements involving Sino-Soviet Bloc countries.

(e) The denials of all exports to Sino-Soviet countries.

(f) The stoppage of all imports from Sino-Soviet countries to NATO countries.

(g) The closure of NATO ports to Sino-Soviet shipping and planes and Bloc chartership.

(h) The prohibition of calling at Sino-Soviet Bloc ports of vessels and planes of the NATO countries.

Other Economic Countermeasures which may be warranted.

In the event of situations which in varying degree fall short of blockage of access, we and our allies should be prepared to apply appropriate countermeasures, e.g.:

1. Harassment of or interference with military traffic to Berlin.

(a) Close Soviet bloc trade missions, including Amtorg offices.

(b) Refuse to enter into new contracts to charter shipping to Soviet bloc countries and suspend existing contracts.

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(c) Expand export control measures against the Soviet bloc, including selective embargo.

(d) Refuse ship's servicing (bunkering, lightering, provisioning, naval stores) to Soviet bloc shipping.

(e) Initiate measures to prevent Soviet bloc aircraft from landing or exercising commercial rights at Western airports and from making transit overflights and technical stops.

2. Harassment of or interference with civilian traffic to Berlin.

(a) Regulate movement of Soviet bloc vessels in Allied ports.

(b) Initiate harassments concerning documentation, inspections, delay, or technical requirements of Soviet bloc shipping at Allied ports.

(c) Delay ship's servicing (bunkering, lightering, provisioning, naval stores) to Soviet bloc shipping.

3. Signing of a Soviet-GDR Treaty.

(a) Cut off selected types of industrial and technical exchanges in which Soviets are most interested and ban export of published and unpublished technical and scientific information.

(b) Arrange for slowdown in issuance of export licenses for shipments to Soviet bloc.

(c) Cancel arrangements for Soviet participation in exhibitions, trade fairs, scientific conferences, and other international meetings scheduled in Western countries (NATO).

(d) Cancel arrangements for Western (NATO) participation in exhibitions, trade fairs, scientific conferences, and other international meetings scheduled in Soviet bloc countries.

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4. Prior to signing of a Soviet-GDR Treaty.

(a) Prepare and implement countermeasures against USSR and "GDR" in form of tripartite controls over transport on basis equivalent to any Soviet or GDR harassments.

(b) Restrict economic negotiations with USSR to essential matters.

Allied Countermeasure Studies Underway.

Quadripartite studies (UK, France, Fed. Rep. and US) in Bonn on possible countermeasures against the East German regime have been in process for almost a year. A tripartite working group (UK, France and US) meeting in Washington for over a year has been examining possible non-military countermeasures against the USSR and its satellites, excluding Communist China. These basic studies should now be considered first by the UK, France and Fed. Rep. and then within NATO, looking to agreement on:

1. Countermeasures which, in the absence of legal or administrative problems, could be implemented promptly, provided necessary preliminary preparations are now made on a stand-by basis; and

2. Countermeasures on which existing legal and administrative obstacles to implementation should now be removed.

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